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on

THE EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND,

GUARANTEE SECTION

– 2003 FINANCIAL YEAR –

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Note: the full text of the Commission staff working document will be available in English on DG Agriculture's website, and the annexes in French.

1. BUDGET PROCEDURE

1.1. Preliminary draft budget 2003

This was adopted by the Commission and proposed to the budget authority in April 2002. The appropriations proposed totalled EUR 45 117.8 million, of which EUR 40 419.85 million was for subheading 1a (EUR 2 260.2 million below the 1a ceiling) and EUR 4 698 million (the ceiling) for subheading 1b.

1.2. Draft budget 2003

The Council adopted this in July 2002. Appropriations for subheading 1a were reduced by EUR 288 million but those for subheading 1b left at the PDB level.

1.3. Letter of Amendment

At the end of October 2002 the Commission adopted Letter of Amendment No 3/2003 to the PDB setting appropriation requirements for 2003 at EUR 44 780.5 million, of which EUR 40 082.5 million was for market measures (EUR 2 597.6 million below the 1a ceiling) and EUR 4 698 million (the ceiling) was for rural development.

1.4. Adoption of 2003 budget

In December 2002 the 2003 budget was adopted. The Letter of Amendment amounts were left unchanged.

2. CASH POSITION AND MANAGEMENT OF APPROPRIATIONS

A. MANAGEMENT OF APPROPRIATIONS

2.1. Appropriations available for 2003

The appropriations finally available for 2003 totalled EUR 44 764 427 000.00. The budget authority approved a non-automatic carryover from 2002 of EUR 83 892 329.

2.2. Utilisation of appropriations available for 2003

2.2.1. Budget operations

The table below details the budget operations carried out in 2003:

(€)

1. Appropriations available	
– normal appropriations	44 764 427 000.00
– non-automatic carryovers	83 892 329.00
2. Commitments	
– for Member States' expenditure against normal appropriations	44 072 548 900.34
– for expenditure against non-automatic carryovers	83 892 329.00
– for direct payments	<u>305 519 864.52</u>
Total commitments	44 461 961 093.86
3. Amounts charged	
– for Member States' expenditure against normal appropriations	44 072 548 900.34
– for expenditure against non-automatic carryovers	81 397 691.00
– for direct payments	<u>15 492 512.96</u>
Total charged	44 169 439 104.30
4. Automatic carryovers	
– for Member States' expenditure against normal appropriations	0.00
– for Member States' expenditure against non-automatic carryovers	0.00
– for direct payments	
Total automatic carryovers	<u>290 027 351.56</u>
	290 027 351,56
5. Non-automatic carryovers	
	41 200 000.00
6. Appropriations lapsing (= 1 – 2 – 5)	345 158 235.14

2.2.2. Automatic carryovers

These are the difference between commitments and amounts charged. For 2003 the appropriations committed by the Commission for its own expenditure were EUR 290.03 million in excess of the payments made by the end of the financial year.

2.2.3. Non-automatic carryovers

Under Articles 9 and 149 of the Financial Regulation (Council Regulation (EC), Euratom) No 1605/2002 of 25 June 2002¹) the Commission decided to carry over from 2003 to 2004 a total of EUR 41.20 million:

- EUR 8.7 million for item B01-406 (05.040109) *Improving the processing and marketing of agricultural products*
- EUR 32.5 million for item B01-4070 *Forestry – New system Article 31*

2.3. Automatic carryovers from 2002 to 2003

The table below gives an overview of utilisation of these carryovers in 2003:

¹ OJ L 248, 16.9.2002, p. 1.

(€)

1. Commitments carried over	
– for Member States' expenditure	–
– for direct payments	<u>231 176 044.00</u>
Total	231 176 044.00
2. Decommitments from carryovers	
– for Member States' expenditure	–
– for direct payments	<u>(2 543 486.79)</u>
Total	(2 543 486.79)
3. Payments	
– for Member States' expenditure	–
– for direct payments	<u>209 807 950.34</u>
Total charged	209 807 950.34
4. Appropriations lapsing (= 1 + 2 – 3)	
– for Member States' expenditure	
– for direct payments	<u>18 824 606.87</u>
Total carryovers cancelled	18 824 606.87

2.4. Non-automatic carryovers from 2002

Under Articles 9 and 149 of the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002) the Commission decided to carry over from 2002 to 2003 a total of EUR 83.89 million.

This broke down into EUR 34.576 million for item B01-332 *Emergency fund for veterinary complaints and other animal contaminations which are a risk to public health*, EUR 4.571 million for item B01-400 *Investments in agricultural holdings*, EUR 32.256 million for item B01-4050 *Agri-environment (new system)*, EUR 6.49 million for item B01-4080 *Promoting the adaptation and development of rural areas, Main agriculture-related measures* and EUR 5.999 million for item B01-4081 *Other measures*. These appropriations were fully committed in 2003.

2.5. Transfers within Guarantee Section

In 2003 the budget authority approved chapter-to-chapter transfers Nos 41/03 and 51/03.

B. ADVANCES

2.6. Advances to Member States

2.6.1. Monthly advances on the provision for expenditure

Article 7 of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy² states that 'the Commission shall decide on monthly advances on the provision for expenditure effected by the accredited paying agencies'. Advances are paid to the Member State at the beginning of the second month following that in which the expenditure was effected by the paying agency.

² OJ L 160, 26.6.1999, p. 103.

Payments made by the Member States from 16.10.2002 to 15.10.2003 were covered by the system.

2.6.2. Decisions on advances for 2003

The Commission adopted twelve decisions on monthly advances for the 2003 financial year. An additional advance, adjusting those already granted to total expenditure chargeable to the year, was decided on in December 2003.

2.6.3. Reduction and suspension of advances

In 2003 a downward correction of EUR 49.67 million was made to the advances paid to the Member States.

3. BUDGET EXECUTION

3.1. Budget execution

The uptake of EAGGF Guarantee Section appropriations for the budget year 2003 was EUR 44 462.0 million, i.e. 99.1 % of the budget's appropriations under heading B1 which amounted to EUR 44 864.4 million. Expenditure was approximately EUR 402.4 million below the budget's appropriations. The annexed table presents the situation for the utilisation of the 2003 budget appropriations by chapter.

For subheading 1a, the budget's appropriations amounted to EUR 40 117.1 million, including approximately EUR 34.6 million carried over from 2002 into chapter B1-33. The budget's execution, after the clearance of the accounts, amounted to EUR 39 782.4 million, i.e. 99.2% of the budget's appropriations under this subheading.

For subheading 1b, the budget's appropriations amounted to EUR 4 747.3 million, including approximately EUR 49.3 million carried over from 2002 while its execution, after the clearance of the accounts, amounted to EUR 4 679.6 million, i.e. 98.6% of the budget's appropriations under this subheading.

4. COMMENTS ON THE EXECUTION OF THE BUDGET

4.1. Subheading 1a

For subheading 1a, the budget was under-implemented for all budget titles. However, this under-implementation within each budget title was concentrated in the following sectors:

- for plant products: the sugar, fruit and vegetables, and wine sectors;
- for animal products: the beef and pigmeat sectors; and
- for ancillary expenditure: the food programmes and the promotion and agri-monetary measures.

On the other hand, certain individual chapters like: other plant sectors (rice), milk, sheepmeat and plant and veterinary and health measures, showed over-execution of their corresponding appropriations.

The reasons for the final implementation pattern of certain budget chapters when compared to the corresponding initial appropriations are presented briefly below:

4.1.1. Chapter B1-11: Sugar

This chapter's under-execution was primarily due to the reduction in the volume of exported sugar by comparison to the volume initially retained in the budget.

4.1.2. Chapter B1-15: Fruit and vegetables

This chapter's under-spending was primarily due to lower payments in the fresh fruit and vegetables sector, whereby due to favourable market conditions:

- smaller quantities of fruit and vegetables were withdrawn from the market, thus resulting in lower payments for financial compensation, and
- the higher prices led to fixing the aid for bananas at a level which was lower compared to the level retained when the 2003 budget was established.

4.1.3. Chapter B1-16: Wine

This under-spending was primarily due to lower payments because of:

- the absence of crisis distillation this year, a scheme for which the budget foresaw appropriations covering a quantity of 8,0 million hl,
- the distillation for the spirits industry of approximately 8,8 million hl while the 2003 budget appropriations foresaw a quantity of 12,5 million hl for this type of distillation, and
- to the lower quantities of alcohol purchases and sales from public storage.

4.1.4. Chapter B1-20: Milk

This over-spending was primarily due to higher payments due to:

- the increase in the export refund rates for butter and butterfat beyond the rates initially retained in the 2003 budget as well as the increased quantities of exports for these products,
- higher public storage costs for both skimmed milk powder and butter because of the increased quantities purchased and of the consequent increase in the end-of-year stocks for these products by comparison to the quantities retained in the 2003 budget,
- the increase of the level of aid for skimmed milk processed into casein as well as the increased quantities of this product used for animal feed by comparison to the level retained in the 2003 budget, and
- higher aid levels and quantities for pastry butter compared to those retained in the 2003 budget under the specific uses of butterfat scheme.

The Commission also collected higher amounts for milk levies as compared to the amounts foreseen in the 2003 budget.

4.1.5. *Chapter B1-21: Beef and veal*

This under-spending was primarily due to:

- lower payments for export refunds because of the decrease in the exported quantities of beef,
- lower premium payments because of a decrease in the number of animals for which 2002 applications were lodged for the suckler cow, special beef and slaughter premium schemes.

However, this under-implementation was smaller because of the following two factors:

- Following the summer drought in some Member States, the Commission adopted special measures under Commission Regulation (EC) No 1621/2003 of 16 September 2003. On the basis of these measures, certain Member States made advance payments for a part of their calendar year 2003 suckler cow and special beef premiums out of the 2003 budget year's appropriations instead of paying these in the 2004 budget year. These advance payments amounted to approximately EUR 101.0 million.
- The Commission also reimbursed approximately EUR 107.0 million to the Member States concerned, following the European Court of Justice's ruling in case C-239/01 whereby the Court annulled Article 5(5) of Commission Regulation (EC) No 690/2001 in so far as that provision required Member States to finance 30% of the price of beef purchased under the special purchase scheme.

4.1.6. *Chapter B1-22: Sheepmeat*

The premium for the animals of the 2002 calendar year was paid out of the 2003 budget year's appropriations. The 2002 premiums were paid for a number of animals which was lower than the estimate retained in the 2003 budget. Therefore, the 2003 budget's appropriations were under-executed as it regards the 2002 premium payments. However, this under-implementation was reversed because, as was the case for the beef premiums, following the summer drought in some Member States, the Commission adopted special measures under Regulation (EC) No 1621/2003. On the basis of these measures, certain Member States made advance payments for a part of their 2003 ewe/goat premiums out of the 2003 budget year's appropriations instead of paying these out of the appropriations of the 2004 budget year. These advance payments amounted to approximately EUR 303.0 million.

4.2. **Subheading 1b**

The EAGGF Guarantee Section uses the subheading 1b appropriations to part-finance (Regulation (EC) No 1257/1999) the 89 rural development programmes that the 15 Member States have adopted for the period 2000-06.

In 2003 a total of EUR 4 706.0 million, i.e. 99.1% of the available amount, was paid out in respect of expenditure actually incurred under the 89 programmes. The measures for which there was under-utilisation of the budget resources available were *Promoting the adaptation and development of rural areas, Forestry and Early retirement (new system)* and to a lesser extent *Improving the processing and marketing of agricultural products and Training*.

4.3. Breakdown by type of expenditure

EAGGF Guarantee Section expenditure falls into two principal categories, 1. refunds and 2. 'intervention', i.e. spending on direct aids, storage, withdrawals and similar operations, and other spending. A third category of expenditure, rural development, falls into neither category.

4.3.1. Refunds

Spending on refunds amounted to EUR 3 729.6 million, 8.4% of total Guarantee Section expenditure in 2003. This percentage is virtually unchanged from 2002.

4.3.2. Direct aids

Expenditure under this heading amounted to EUR 29 692.4 million (EUR 16 331.7 million for arable crops and EUR 9 447.4 million for livestock), i.e. 67% of total 2003 spending of EUR 44 461.2 million. This percentage was also unchanged from 2002. The expenditure that counts as direct aid is defined in the Annex to Regulation (EC) No 1259/1999 of 17 May 1999 (OJ L 160, p. 113).

4.3.3. Storage

Storage costs came to EUR 928.1 million, 2% of total spending for the year compared with 3% in 2002. The main products involved were cereals (EUR 267.5 million), wine (EUR 273.5 million) and milk and milk products (EUR 271.2 million).

4.3.4. Other

Other intervention expenditure amounted to EUR 10 111.1 million, i.e. 23% of the year's total. This heading covers expenditure not falling into the above categories.

ANNEX – BUDGET YEAR 2003 – UTILISATION OF APPROPRIATIONS

Chapter	Adjusted budget appropriations ¹	Payments from 16.10.2002 to 15.10.2003	Direct payments	Total expenditure	Utilisation rate	Gap between implementation and appropriations
	EUR mio	EUR mio	EUR mio	EUR mio	%	EUR mio
	a	b	c	d = b + c	e = $\frac{d \times 100}{a}$	g = d - a
Subheading 1a: CAP expenditure (not including rural development)						
B1-10 Arable crops	16 790.0	16 809.4		16 809.4	100.1	19.4
B1-11 Sugar	1 482.0	1 277.4		1 277.4	86.2	-204.6
B1-12 Olive oil	2 341.0	2 346.3		2 346.3	100.2	5.3
B1-13 Dried fodder and grain legumes	389.0	388.6		388.6	99.9	-0.4
B1-14 Fibre plants and silkworms	908.0	889.6		889.6	98.0	-18.4
B1-15 Fruit and vegetables	1 609.0	1 532.2		1 532.2	95.2	-76.8
B1-16 Products of the vine-growing sector	1 381.0	1 213.0		1 213.0	87.8	-168.0
B1-17 Tobacco	973.0	950.0	10.2	960.2	98.7	-12.8
B1-18 Other plant sectors or products	303.0	331.6		331.6	109.4	28.6
B1-1 Plant products	26 176.0	25 738.1	10.2	25 748.3	98.4	-427.7
B1-20 Milk and milk products	2 672.0	2 796.2		2 796.2	104.6	124.2
B1-21 Beef and veal	8 404.0	8 090.9		8 090.9	96.3	-313.1
B1-22 Sheepmeat and goatmeat	1 805.0	2 082.1		2 082.1	115.4	277.1
B1-23 Pigmeat, eggs and poultry	203.5	171.4		171.4	84.2	-32.1
B1-26 Fisheries	14.5	12.5	0.1	12.6	86.9	-1.9
B1-2 Animals products	13 099.0	13 153.1	0.1	13 153.2	100.4	54.2
B1-30 Non-Annex 1 products	415.0	430.7		430.7	103.8	15.7
B1-31 Food programmes	306.0	252.9		252.9	82.6	-53.1
B1-32 Most remote regions & Aegean islands	249.0	234.0		234.0	94.0	-15.0
B1-33 Veterinary and plant health measures ²	221.6		316.9	316.9	143.0	95.3
B1-36 Monitoring and prevention	48.0	24.4	3.3	27.6	57.6	-20.4
B1-38 Promotion measures	66.5	21.9	9.4	31.3	47.1	-35.2
B1-39 Other measures	18.0	-2.6		-2.6	-14.4	-20.6
B1-3 Ancillary expenditure	1 324.1	961.3	329.6	1 290.9	97.5	-33.2
TOTAL 1a (before clearance & B0-40)	40 599.1	39 852.5	339.9	40 192.4	99.0	-406.7
B1-37 Clearance of previous years' accounts and reduction/suspension of advances	-500.0	-410.0		-410.0	82.0	90.0
B0-40 Provisional appropriations (1a)	18.0	0.0		0.0	0.0	-18.0
TOTAL 1a	40 117.1	39 442.5	339.9	39 782.4	99.2	-334.7
Sub-heading 1b: Rural development						
B1-40 Rural development ³	4 747.3	4 706.0		4 706.0	99.1	-41.3
TOTAL 1b (before clearance of previous years' accounts)	4 747.3	4 706.0	0.0	4 706.0	99.1	-41.3
B1-41 Clearance of previous years' accounts and reduction/suspension of advances	0.0	-26.4		-26.4	0.0	-26.4
B0-40 Provisional appropriations (1b)	0.0	0.0		0.0	0.0	0.0
TOTAL 1b	4 747.3	4 679.6	0.0	4 679.6	98.6	-67.7
TOTAL of the budget (subheadings 1a + 1b)	44 864.4	44 122.1	339.9	44 462.0	99.1	-402.4
¹ Original appropriations + appropriations carried over from 2002. ² Appropriations amounting to EUR 34.58 million were carried over from 2002. ³ Appropriations amounting to EUR 49.32 million were carried over from 2002.						